

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

<div>In re:</div> <div>STEWARD HEALTH CARE SYSTEM, LLC, <i>et al.</i>,</div> <div>Debtors.¹</div>	<div>Chapter 11</div> <div>Case No. 24-90213 (CML)</div> <div>(Jointly Administered)</div>
<div>DR. MANISHA PUROHIT, DR. DIANE PAGGIOLI, DR. JAMES THOMAS, DR. THOMAS ROSS, DR. MICHAEL REGAN, DR. PETER LYDON, DR. SRIDHAR GANDA, DR. A. ANA BEESEN, DR. BENJOY ZACHARIAH, DR. BARRY ARKIN, DR. BRUCE KRIEDEL, and DR. GARY MILLER,</div> <div>Appellants,</div> <div>v.</div> <div>STEWARD HEALTH CARE SYSTEM, LLC, <i>et al.</i>,</div> <div>Appellees.</div>	<div>Civil Action No. 4:25cv2901</div>

**APPELLANTS' STATEMENT OF ISSUES AND
DESIGNATION OF RECORD ON APPEAL**

Appellants Dr. Manisha Purohit, Dr. Diane Paggioli, Dr. James Thomas, Dr. Thomas Ross, Dr. Michael Regan, Dr. Peter Lydon, Dr. Sridhar Ganda, Dr. A. Ana Beesen, Dr. Benjoy Zachariah, Dr. Barry Arkin, Dr. Bruce Kriegel and Dr. Gary Miller (collectively, “**Appellants**”),

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors’ service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

by and through their undersigned counsel, pursuant to Fed. R. Bankr. P. 8009, provide the following statement of issues and designation of the items to be included in the record on Appellants' appeal from (1) the *Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief* [Docket No. 5035] (the "**Settlement Order**") entered by the United States Bankruptcy Court for the Southern District of Texas (the "**Bankruptcy Court**"), and (2) without limitation, all interlocutory decisions, orders, rulings, and opinions that are merged therein, including but not limited to, the Bankruptcy Court's oral ruling issued on May 30, 2025 [Docket No. 5044] (the "**Oral Ruling**").

STATEMENT OF ISSUES ON APPEAL

1. Whether the Bankruptcy Court erred in concluding that the settlement agreement approved by the Settlement Order was not an impermissible *sub rosa* plan, notwithstanding that the agreement effectively dictates the terms of any future plan by, *inter alia*: (a) providing for the transfer of substantially all of the Debtors' assets out of their estates to a Litigation Trust² prior to and independent of confirmation; (b) establishing the Litigation Trust; (c) establishing the governance structure of the Litigation Trust; (d) providing for the issuance of beneficial interests to creditor groups; (e) altering creditor priorities, including by paying professional fees in full ahead of other administrative claimants who may not recover in full; (f) granting releases to certain parties; (g) approving the funding for the trust and the litigations; and (h) establishing a distribution waterfall and treatment of creditor claims that must be included in any plan, all without the

² Capitalized terms used but not defined herein shall have the same meaning as defined in the Settlement Order.

safeguards provided by the confirmation process and, importantly, without a meaningful right of creditors to vote.

2. Whether the Bankruptcy Court erred in ruling that the mere filing of a *proposed* chapter 11 plan predicated on the settlement that may never be confirmed shields the settlement from being deemed a *sub rosa* plan.

3. Whether the Bankruptcy Court's determination that, absent approval of the settlement, the FILO lenders would be entitled to seek stay relief and foreclose on all of the Debtors' remaining assets without restriction, was legally and factually correct and provided a proper basis for approving a settlement that dictates the terms of any future plan, including by transferring all of the Debtors' assets and providing for the administration and distribution of those assets outside of a plan confirmation process.

4. Whether the Bankruptcy Court's belief that the settlement presented the best option to reach a confirmation hearing is a legally relevant basis for approving a settlement notwithstanding the infirmities addressed above.

DESIGNATION OF RECORD ON APPEAL

Appellants hereby designate the following items to be included in the record on appeal, which includes all exhibits and addenda attached thereto and filed therewith and all documents incorporated by reference therein:

	Filing Date	Pleading / Item	Docket No.³
United States Bankruptcy Court, Southern District of Texas Chapter 11 Cases, No. 24-90213			
1.	05/07/24	Informational Brief of The Commonwealth of Massachusetts in Support of Responses to the Debtors' Emergency Motions	61

³ Citations to docket entries shall include all related attachments unless otherwise stated.

	Filing Date	Pleading / Item	Docket No.³
2.	05/30/24	The Commonwealth of Massachusetts' Reservation of Rights Regarding the Debtors' Sale Procedures Motion [ECF 281]	520
3.	07/03/24	The Commonwealth of Massachusetts' Limited Response to Steward's Request for New Post-Petition Financing [ECF 765]	1146
4.	07/10/24	Final Order (I) Authorizing the Debtors to (A) Obtain New Postpetition Financing, (B) Use Cash Collateral, and (C) Grant Liens and Provide Superpriority Administrative Expense Claims; (II) Granting Adequate Protection to Certain Prepetition Secured Parties; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief	1538
5.	07/26/24	Emergency Motion of Debtors for Entry of an Order (I) Approving (A) Funding from the Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; and (II) Granting Related Relief	1711
6.	07/26/24	Declaration of John R. Castellano in Support of Emergency Motions of Debtors for Entry of Orders (I) Approving (A) Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; (II) Authorizing Rejection of Master Lease II Agreements in Connection with Planned Transition and Sale of Massachusetts Hospitals to New Operators; and (III) Granting Related Relief	1713
7.	07/26/24	Declaration of Toby King in Support of Emergency Motions of Debtors for Entry of Orders (I) Approving (A) Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; (II) Authorizing Rejection of Master Lease II Agreements in Connection with Planned Transition and Sale of Massachusetts Hospitals to New Operators; and (III) Granting Related Relief	1714
8.	07/26/24	Declaration of James Moloney in Support of Emergency Motions of Debtors for Entry of Orders (I) Approving (A) Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts	1717

	Filing Date	Pleading / Item	Docket No.³
		Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; (II) Authorizing Rejection of Master Lease II Agreements in Connection with Planned Transition and Sale of Massachusetts Hospitals to New Operators; and (III) Granting Related Relief	
9.	07/26/24	Declaration of Octavio J. Diaz in Support of Emergency Motions of Debtors for Entry of Orders (I) Approving (A) Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; and (II) Granting Related Relief	1718
10.	07/30/24	Massachusetts' Statement in Response to (I) the Emergency Motion by Steward Approving Funding, Hospital Closures, and Related Relief [ECF 1711] and (II) the Emergency Motion by steward to Reject Master Lease II, and Related Relief [ECF 1712]	1753
11.	08/06/24	Order Approving Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals and Granting Related Relief	1855
12.	09/02/24	Emergency Motion of Debtors for Entry of an Order (I) Approving Additional Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals; and (II) Granting Related Relief	2286
13.	09/04/24	Order (I) Approving Additional Funding from The Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals; and (II) Granting Related Relief	2345
14.	09/18/24	Final Order Approving (I) Global Settlement with Medical Properties Trust, Prepetition ABL/FILO Secured Parties, FILO Secured Parties, and Creditors' Committee, (II) Interim Management Procedures, and (III) Granting Related Relief	2610
15.	09/29/24	Massachusetts' Statement in Further Response to Debtors' Emergency Sale Motion Dated May 15, 2024 [ECF 281]	2715
16.	12/06/24	The Commonwealth of Massachusetts' Motion for Relief from the Automatic Stay to Allow for the Setoff of Mutual Obligations if and to the Extent that Recoupment is Not Available	3393
17.	12/31/24	Notice of Filing of Amendment to FILO DIP Credit Agreement	3594
18.	02/01/25	Notice of Filing of Second Amendment to FILO DIP Credit Agreement	3874

	Filing Date	Pleading / Item	Docket No.³
19.	02/06/24	Notice of Filing of Third Amendment to FILO DIP Credit Agreement	3909
20.	02/15/25	Notice of Filing of Fourth Amendment to FILO DIP Credit Agreement	3991
21.	03/04/25	Notice of Filing of Fifth Amendment to FILO DIP Credit Agreement	4091
22.	03/16/25	Notice of Extension of Maturity Date Under FILO DIP Credit Agreement	4232
23.	04/01/25	Notice of Further Extension of Maturity Date Under FILO DIP Credit Agreement	4400
24.	04/10/25	Notice of Further Extension of Maturity Date Under FILO DIP Credit Agreement	4472
25.	04/17/25	Notice of Further Extension of Maturity Date Under FILO DIP Credit Agreement	4690
26.	04/28/25	Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	4743
27.	04/28/25	Disclosure Statement for Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	4744
28.	04/28/25	Motion of Debtors for Entry of Order (I) Scheduling Combined Hearing on (A) Adequacy of Disclosure Statement and (B) Confirmation of Plan; (II) Conditionally Approving Disclosure Statement and Form and Manner of Notice of Conditional Disclosure Statement Hearing; (III) Establishing Solicitation and Voting Procedures; (IV) Establishing Administrative Expense Claims Consent Program Notice and Opt-Out Procedures; (V) Establishing Notice and Objection Procedures for Confirmation of Proposed Plan; (VI) Approving Notice Procedures for Assumption or Rejection of Executory Contracts and Unexpired Leases; and (VII) Granting Related Relief	4745
29.	04/28/25	Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	4746
30.	05/16/25	Declaration of John R. Castellano in Support of Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III)	4903

	Filing Date	Pleading / Item	Docket No.³
		Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	
31.	05/16/25	Declaration of William Transier	4904
32.	05/19/25	Objection of Certain Participants to Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	4907
33.	05/19/25	Emergency Motion to Convert the Debtors' Cases to Cases Under Chapter 7 of the Bankruptcy Code	4912
34.	05/19/25	TRACO International Group S. De R.L.'s Objection to Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	4919
35.	05/19/25	The Commonwealth of Massachusetts' Objection to the Debtors' Solicitation Motion and Settlement Motion	4921
36.	05/25/25	United States Trustee's Expedited Motion to Dismiss or Convert Pursuant to 11 U.S.C. §1112(B)	4964
37.	05/25/25	Notice of Filing (I) Litigation Trust Agreement, (II) Commitment Letter and (III) Transition Services Agreement	4966
38.	05/26/25	Notice of Filing of Liquidation Analysis with Respect to Disclosure Statement for Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	4967
39.	05/27/25	Supplemental Declaration of John R. Castellano	4977
40.	05/19/25	FILO Secured Parties' Reply in Support of Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III)	4983

	Filing Date	Pleading / Item	Docket No.³
		Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	
41.	05/28/25	Disclosure Statement for Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	4986
42.	05/28/25	<u>Exhibit B</u> Redline – Revised Proposed FILO Settlement Order	4987-2
43.	05/28/25	Debtors’ Omnibus Reply to Objections to Motion of Debtors for Entry of an Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	4988
44.	05/28/25	Debtors’ Reply in Support of Motion of Debtors for Entry of Order (I) Scheduling Combined Hearing on (A) Adequacy of Disclosure Statement and (B) Confirmation of Plan; (II) Conditionally Approving Disclosure Statement and Form and Manner of Notice of Conditional Disclosure Statement Hearing; (III) Establishing Solicitation and Voting Procedures; (IV) Establishing Administrative Expense Claims Consent Program Notice and Opt-Out Procedures; (V) Establishing Notice and Objection Procedures for Confirmation of Proposed Plan; (VI) Approving Notice Procedures for Assumption or Rejection of Executory Contracts and Unexpired Leases; and (VII) Granting Related Relief	4989
45.	05/29/25	Amended Witness and Exhibit List of Certain Participants for May 29, 2025 Hearings (“Amended List”), without exhibits	4997
46.	05/29/25	<u>Exhibit 1</u> from Amended List: Transcript of deposition of John Castellano taken on May 28, 2025	4997-1
47.	05/29/25	<u>Exhibit 2</u> from Amended List: Transcript of deposition of William Transier taken on May 28, 2025	4997-2
48.	05/29/25	Notice of Filing May 29, 2025 Hearing Demonstrative	4999
49.	05/29/25	Joinder and Reservation of Rights of TRACO International Group S. De R.L. to (I) Emergency Motion to Convert the	5003

	Filing Date	Pleading / Item	Docket No. ³
		Debtors' Cases to Cases under Chapter 7 of the Bankruptcy Code Filed by the Participants in the Deferred Compensation Plans, and (II) United States Trustee's Expedited Motion to Dismiss or Convert Pursuant to 11 U.S.C. §1112(B)	
50.	05/30/25	Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	5021
51.	05/30/25	Notice of Filing of Further Revised Proposed FILO Settlement Order	5022
52.	05/30/25	Disclosure Statement for Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	0523
53.	05/31/25	Notice of Filing of Solicitation Versions of Plan and Disclosure Statement	5026
54.	06/01/25	Disclosure Statement for Joint Chapter 11 Plan of Liquidation of Steward Health Care System LLC and Its Affiliated Debtors	5028
55.	06/01/25	Notice of Filing of Official Transcript Regarding Hearing Held 5/29/25, including Transcript	5029-1
56.	06/02/25	Order (I) Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief (" Settlement Order "), without exhibits	5035
57.	06/02/25	Exhibits to Settlement Order: Exhibit 1 – Settlement Term Sheet Exh. A Releases Exh. B TSA Budget Exhibit 2 – DIP Amendment Exhibit 3 – Cure Notice Exhibit 4 – Litigation Trust and Tax Matters	5035
58.	06/02/25	Order (I) Scheduling Combined Hearing on (A) Adequacy of Disclosure Statement and (B) Confirmation of Plan; (II) Conditionally Approving Disclosure Statement and Form and Manner of Notice of Conditional Disclosure Statement Hearing; (III) Establishing Solicitation and Voting Procedures; (IV) Establishing Administrative Expense Claims Consent Program Notice and Opt-Out Procedures; (V) Establishing Notice and Objection Procedures for Confirmation of Proposed Plan; (VI) Approving Notice	5036

	Filing Date	Pleading / Item	Docket No.³
		Procedures for Assumption or Rejection of Executory Contracts and Unexpired Leases; and (VII) Granting Related Relief	
59.	06/03/25	Notice of Filing of Official Transcript regarding Hearing Held 5/30/25, including Transcript	5044-1
60.	06/13/25	The Commonwealth of Massachusetts Notice of Appeal and Statement of Election	5123
61.	06/13/25	The Commonwealth of Massachusetts' Emergency Motion for Stay of Settlement Order Pending Appeal	5126
62.	06/13/25	Emergency Motion of TRACO International Group S. De R.L. Pursuant to Fed. R. Bankr. P. 9023 and 9024 for Reconsideration of Order Approving Settlement with FILO Secured Parties; (II) Authorizing and Directing Transfer of Assets in Connection Therewith; (III) Authorizing Amendment to FILO DIP Credit Agreement and Continued Use of Cash Collateral; (IV) Granting Adequate Protection; (V) Approving Assumption and Assignment Procedures and Form and Manner of Notice of Assumption and Assignment; and (VI) Granting Related Relief	5127
63.	06/13/25	TRACO International Group S. De R.L. Notice of Appeal	5128
64.	06/14/25	The Commonwealth of Massachusetts Amended Notice of Appeal	5130
65.	06/18/25	Clerk of Court's Notice of Filing of an Appeal regarding The Commonwealth of Massachusetts	5147
66.	06/18/25	Clerk of Court's Notice of Filing of an Appeal regarding TRACO International Group S. De R.L.	5149
67.	06/20/25	Participants Notice of Appeal	5161
68.	06/20/25	Joinder to The Commonwealth of Massachusetts' Emergency Motion for Stay of Settlement Order Pending Appeal	5162
69.	06/23/25	Election of Appeal to District Court	5168
70.	06/23/25	Clerk of Court's Notice of Filing of an Appeal regarding Dr. Manisha Purohit	5169
71.	06/23/25	Joinder and Reservation of Rights of TRACO International Group S. De R.L. to The Commonwealth of Massachusetts' Emergency Motion for Stay of Settlement Order Pending Appeal	5171
72.	06/23/25	Order Denying Stay Pending Appeal and Denying Reconsideration [Regarding ECF 5126, 5127]	5177
73.	06/23/25	Clerk of Court's Notice of Filing of an Appeal regarding The Commonwealth of Massachusetts	5178

CERTIFICATION REGARDING TRANSCRIPTS

Pursuant to Rule 8009(b)(1) of the Federal Rules of Bankruptcy Procedure, Appellants hereby certify that all relevant transcripts have been ordered and are listed in the foregoing designation of the record.

RESERVATION OF RIGHTS

Appellants reserve the right to withdraw, supplement, amend or modify this designation of record on appeal. This filing is made expressly subject to, and without waiver of any and all rights, remedies, challenges, and objections.

Dated: July 7, 2025

/s/ Christopher D. Johnson

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CERTIFICATE OF SERVICE

I hereby certify that on July 7, 2025, a true and correct copy of the foregoing pleading was served by email to all parties registered to receive electronic notice in this case pursuant to the Court's CM/ECF filing system.

/s/ Christopher D. Johnson
Christopher D. Johnson